

United States Senate

WASHINGTON, DC 20510

March 8, 2016

Hon. Megan J. Brennan
Postmaster General and Chief Executive Officer
United States Postal Service
475 L'Enfant Plaza SW
Washington, DC 20260-1137

Dear Postmaster General Brennan:

I write to request information on the costs incurred and savings realized from Phase II of the United States Postal Service's (USPS) Network Rationalization Plan. In response to a question from Postal Regulatory Commission Chairman Robert G. Taub, the USPS acknowledged it has not realized all of the savings it projected from the second phase of its consolidation efforts.¹ For example, USPS expected to spend an additional \$124.9 million annually in transportation costs as a result of the Phase II Network Rationalization Plan, but the actual increase in transportation costs during the first nine months of 2015 was \$130.2 million.²

In total, the completed consolidation efforts associated with Phase II have actually resulted in a net spending increase of about \$66 million in FY 2015.³ While some of that increase may be attributable to delays in facility closings that had been scheduled for FY 2015, I am concerned that further implementation of the Network Rationalization plan could result in additional unforeseen costs.

As you are well aware, the USPS financial situation is dire. The USPS has no financial flexibility to continue making decisions that both degrade its service and *increase* costs.

In order to better understand how the USPS's cost-saving assumptions failed to materialize and how that will affect future network rationalization decisions, I request the following information:

¹ Annual Compliance Review 2015, *Response of the United States Postal Service to Question 16 of Chairman's Information Request No. 7*, Postal Regulatory Commission (Feb. 11, 2016).

² *Id.*

³ *Id.*

- 1) A detailed list of all projected and actual costs and savings associated with both Phase I and Phase II of the Network Rationalization Initiative, broken out by cost category, including but not limited to:
- a. Real estate costs;
 - b. Utilities;
 - c. Equipment;
 - d. Labor (including overtime pay);
 - e. Transportation; and
 - f. Any other cost or savings drivers that have a financial impact on your agency and its ability to meet its budgetary projections.
- 2) Background information on the assumptions made to come up with the projected cost savings in each category; and
- 3) An explanation of any changes made to USPS's underlying assumptions based on the results of Phase I and the parts of Phase II of the Network Rationalization Initiatives that have already been implemented

I request you provide this information as soon as possible, but no later than March 31, 2016. If you determine that you are unable to make a complete production by this date or if you have questions about this request, please contact Charlie Moskowitz in my personal office at 202-224-6154 or Charlie.Moskowitz@mccaskill.senate.gov. I appreciate your assistance.

Sincerely,



Claire McCaskill
U.S. Senator